which the exchange of instruments of ratification takes place;

(b)(i) as respects Irish income tax, for the year of assessment beginning on the 6th day of April in the calendar year in which the exchange of instruments of ratification takes place and subsequent years; (ii) as respects Irish surtax, for the year of assessment beginning on the 6th day of April immediately preceding the calendar year in which the exchange of instruments of ratification takes place, and subsequent years; and (iii) as respects Irish corporation profits tax, for any chargeable accounting period beginning on or after the first day of April in the calendar year in which the exchange of instruments of ratification takes place, and for the unexpired portion of any chargeable accounting period current at that date.

ARTICLE XXIII

(1) The present Convention shall continue in effect indefinitely but either of the Contracting Parties may, on or before the 30th day of June in any calendar year following the calendar year in which the exchange of instruments of ratification takes place, give to the other Contracting Party, through diplomatic channels, notice of termination and, in such event, the present Convention shall cease to be effective:

(a) as respects United States tax, for the taxable years beginning on or after the first day of January in the calendar year next following that in which such notice is given;

(b)(i) as respects Irish income tax, for any year of assessment beginning on or after the 6th day of April in the calendar year next following that in which such notice is given; (ii) as respects Irish surtax, for any year of assessment beginning on or after the 6th day of April in the calendar year in which such notice is given; and (iii) as respects Irish corporation profits tax, for any chargeable accounting period beginning on or after the first day of April in the calendar year next following that in which such notice is given and for the unexpired portion of any chargeable accounting period current at that date.

(2) The termination of the present Convention or of any Article thereof shall not have the effect of reviving any treaty or arrangement abrogated by the present Convention or by treaties previously concluded between the Contracting Parties.

(b) As used in this subpart, unless the context otherwise requires, the terms defined in the above articles of the convention shall have the meanings so assigned to them.

§513.2 Dividends.

(a) *General.* (1) Under Article VI of the convention the rate of tax imposed with respect to dividends by section 211(a) of the Internal Revenue Code (relating to nonresident alien individuals not engaged in trade or business within the United States) and by section 231(a) of the Internal Revenue Code (relating to foreign corporations not engaged in trade or business within the United States) is reduced to 15 percent in the case of dividends derived from a United States corporation and received in taxable years beginning on or after January 1, 1951, by a nonresident alien (including a nonresident alien individual, fiduciary, and partnership) who is resident in Ireland for the purposes of Irish tax, or by a foreign corporation (whether or not created or organized in or under the laws of Ireland) whose business is managed and controlled in Ireland, if such alien or corporation is subject to Irish tax on such dividends and at no time during the taxable year had a permanent establishment within the United States. As to what is a United States corporation, see Article II (1)(d) of the convention.

(2) Thus, if a nonresident alien who is resident in Ireland for the purposes of Irish tax performs personal services within the United States during the taxable year, has at no time during such year a permanent establishment within the United States, and is subject to Irish tax on a dividend derived by him in such year from a United States corporation, he is entitled to the reduced rate of tax with respect to such dividend, as provided in Article VI of the convention, even though under the provisions of section 211(b) of the Internal Revenue Code he has engaged in trade or business within the United States during such year by reason of his having rendered personal services therein.

(3) The fact that the payee of the dividend is not required to pay Irish tax on such dividend because of the application of reliefs or exemptions under Irish revenue laws does not prevent the application of the reduction in rate of United States tax with respect to such dividend. If the dividend

would have been subject to Irish tax had the payee thereof derived an income large enough to require payment of tax then liability to Irish tax exists for the purpose of the reduction in rate of United States tax. As to what constitutes a permanent establishment, see Article II (1)(l) of the convention.

(4) In the case of dividends paid on or after January 1, 1951, by an Irish corporation, as defined in Article II (1)(e) of the convention, no withholding of United States tax is required. See Article XV (1) of the convention.

(b) *Dividends paid by a United States subsidiary corporation*. (1) Under the proviso of Article VI (1) of the convention dividends derived from a domestic corporation by a foreign corporation whose business is managed and controlled in Ireland and which controls, directly or indirectly, at the time the dividends is paid 95 percent or more of the entire voting power in such domestic corporation are, when received in taxable years beginning on or after January 1, 1951, subject to tax at the rate of only 5 percent, if (i) not more than 25 percent of the gross income of such paying corporation for the three-year period immediately preceding the taxable year in which the dividend is paid consists of dividends and interest (other than dividends and interest paid to such domestic corporation by its own subsidiary corporations, if any), (ii) the relationship between such domestic corporation and such foreign corporation has not been arranged or maintained primarily with the intention of securing such reduced rate of 5 percent, (iii) such foreign corporation is subject to Irish tax on such dividends, and (iv) such foreign corporation at no time during the taxable year had a permanent establishment within the United States.

(2) Any domestic corporation which claims or contemplates claiming that dividends paid or to be paid by it on or after January 1, 1951, are subject only to the 5 percent rate shall file the following information with the Commissioner of Internal Revenue as soon as practicable: (i) The date and place of its organization; (ii) the location of the management and control of the foreign corporation to which the dividends are paid or to be paid; (iii) the number of outstanding shares of stock of the domestic corporation having voting power and the voting power thereof; (iv) the person or persons beneficially owning such stock of the domestic corporation and their relationship to such foreign corporation; (v) the amount of gross income by years of the domestic corporation for the three-year period immediately preceding the taxable year in which the dividend is paid; (vi) the amount of interest and dividends by years included in the gross income of the domestic corporation, and the amount of interest and dividends by years received by such corporation from its subsidiary corporations, if any; and (vii) the relationship between the domestic corporation and the foreign corporation to which it pays the dividend.

(3) As soon as practicable after such information is filed, the Commissioner of Internal Revenue will determine whether the dividends concerned fall within the scope of the proviso of Article VI(1) of the convention and may authorize the release of excess tax withheld with respect to dividends which come within such proviso. In any case in which the Commissioner of Internal Revenue has notified the domestic corporation that the dividends fall within the scope of such proviso the reduced withholding rate of 5 percent will apply to any dividends subsequently paid by such corporation to the foreign corporation, unless the stock ownership of the domestic corporation, or the character of its income, or the place of management and control of the corporation to which the dividend is paid materially changes; or unless the Commissioner of Internal Revenue determines that the relationship between the two corporations is being maintained primarily with the intention of securing the reduced rate of tax; and, if such change in stock ownership, character of income, or place of management and control occurs, the domestic corporation shall promptly notify the Commissioner of Internal Revenue of the then existing facts with respect thereto. The continued application of the reduced withholding rate is also

dependent upon the continued fulfillment of conditions in subparagraph (1) (iii) and (iv) of this paragraph.

(c) *Effect of address in Ireland on withholding in case of dividends.* For the purpose of withholding of the tax in the case of dividends every nonresident alien (including a nonresident alien individual, fiduciary, and partnership) whose address is in Ireland shall be deemed by United States withholding agents to be a nonresident alien who is (1) resident in Ireland for the purposes of Irish tax, (2) subject to Irish tax on such dividends, and (3) without a permanent establishment in the United States; and every foreign corporation whose address is in Ireland shall be deemed by such withholding agents to be a foreign corporation whose business is managed and controlled in Ireland and which is (i) subject to Irish tax on such dividends and (ii) without a permanent establishment in the United States.

(d) *Rate of withholding.* (1) Withholding at source in the case of dividends derived from a United States corporation and paid on or after January 1, 1952, to nonresident aliens (including a nonresident alien individual, fiduciary, and partnership) and to foreign corporations, whose addresses are in Ireland, shall be at the rate of 15 percent in every case except that in which, prior to the date of payment of such dividends, the Commissioner of Internal Revenue has notified the withholding agent that (i) such dividends fall within the scope of the proviso of Article VI(1) of the convention or (ii) the reduced rate of tax shall not apply.

(2) The preceding provisions respecting the application of the reduced withholding rate in the case of dividends paid to nonresident aliens and foreign corporations with addresses in Ireland are based upon the assumption that the payee of the dividend is the actual owner of the capital stock from which the dividend is derived and consequently is the person liable to United States tax upon such dividend. As to action by the recipient who is not the owner of the dividend, see §513.8.

(3) The rate at which United States tax has been withheld from any dividend paid on and after thirty days from the date on which this subpart is filed with the Division of the Federal Register to any person whose address is in Ireland at the time the dividend is paid shall be shown either in writing or by appropriate stamp on the check, draft, or other evidence of payment, or on an accompanying statement.

§513.3 Interest.

(a) *General.* (1) Interest (other than interest falling within the scope of paragraph (c) of this section) on bonds, securities, notes, debentures, or any other form of indebtedness, including interest on obligations of the United States, obligations of instrumentalities of the United States, and mortgages and bonds secured by real property, derived from sources within the United States and received in taxable years beginning on or after January 1, 1951, by a nonresident alien (including a nonresident alien individual, fiduciary, and partnership) who is resident in Ireland for the purposes of Irish tax, or by a foreign corporation (whether or not created or organized in or under the laws of Ireland) whose business is managed and controlled in Ireland, is exempt from United States tax under the provisions of Article VII(1) of the convention if such alien or corporation is subject to Irish tax on such interest and at no time during the taxable year had a permanent establishment within the United States. Such interest is, therefore, not subject to the withholding provisions of the Internal Revenue Code. As to what constitutes a permanent establishment, see Article II(1) of the convention.

(2) The provisions of §513.2(a) relating to the degree of liability to Irish tax in the case of dividends are equally applicable with respect to the income falling within the scope of this section.

(b) *Application of exemption from withholding.* (1) To obviate withholding at the source in the case of coupon bond interest the nonresident alien resident in Ireland for the purpose of Irish tax, or the foreign corporation whose business is managed and controlled in Ireland, shall for each issue of bonds submit Form 1001–IR in du-